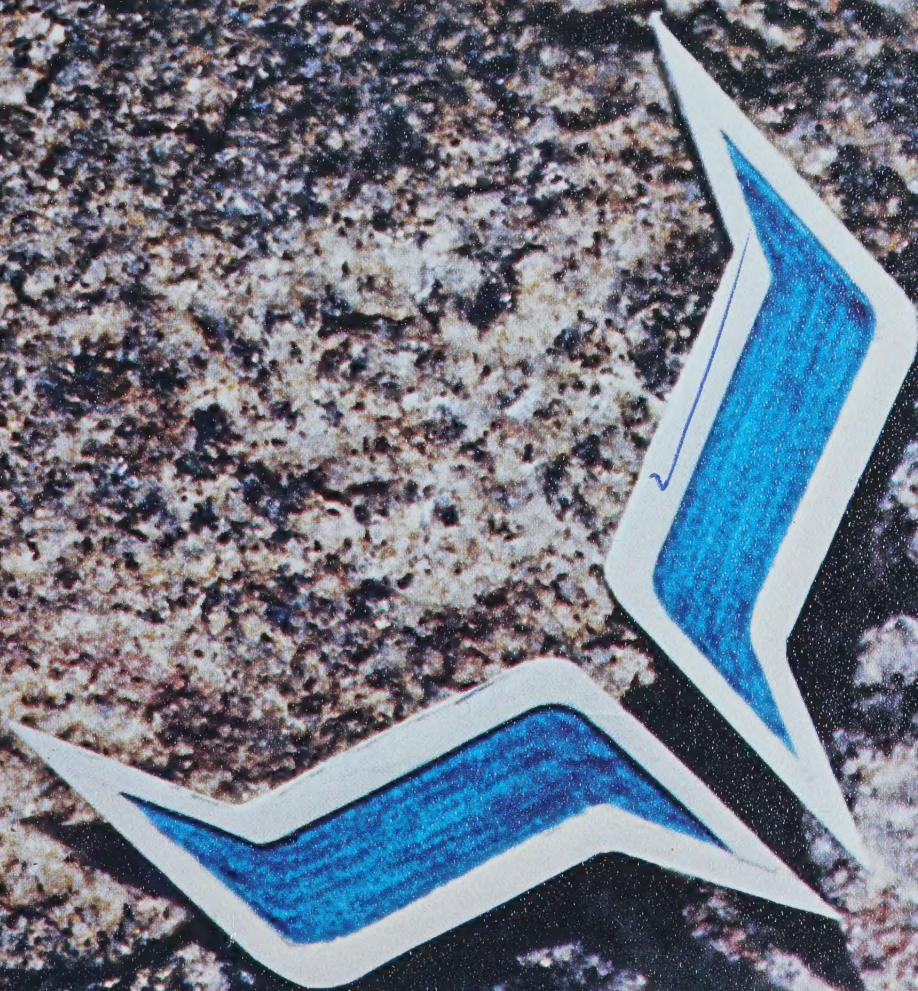


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SCINTREX LIMITED

ANNUAL REPORT 1970



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SCINTREX LIMITED

DIRECTORS AND OFFICERS

Directors

Harold O. Seigel
Alfred J. Shaul
William L. Seigel
Robbert A. Bosschart
Roger H. Pemberton
Duncan R. Derry
Blaine C. Froats

Officers

Harold O. Seigel, Ph.D., P.Eng., President
Robbert A. Bosschart, Ph.D., P.Eng., Executive Vice President
Roger H. Pemberton, M.Sc., P.Eng., Vice President, Operations and Marketing
Alfred J. Shaul, Q.C., Secretary-Treasurer
Gerald Stork, C.A., P. Eng., Comptroller

Solicitor

Alfred J. Shaul

Bankers

Bank of Nova Scotia
Marine Midland Trust Company of Western New York

Auditors

Laventhol Krekstein Horwath and Horwath

Transfer Agents and Registrar
Guaranty Trust Company of Canada

Head Office

222 Snidercroft Road, Concord, Ontario

SCINTREX SUBSIDIARIES AND BRANCH OFFICES

Scintrex Limited &
Seigel Associates Limited,
Concord, Ontario

— Harold O. Seigel, Ph.D., P.Eng.,
President

— Robbert A. Bosschart, Ph.D., P.Eng.,
Executive Vice President

— Roger H. Pemberton, M.Sc., P.Eng.,
Vice President, Marketing

Scintrex Inc.,
Buffalo, New York

— Kenneth L. Malick,
General Manager

— A. H. S. Pickburn, M. Inst. M.,
Marketing Manager

Seigel Associates Limited,
Vancouver, British Columbia

— Jon G. Baird, B.Sc., P.Eng.,
Operations Manager

Calgary, Alberta

— Richard O. Crosby, B.Sc., P.Eng.,
Western Marketing Manager

Scintrex Airborne Geophysics Inc.,
Tulsa, Oklahoma

— James B. Hill, General Manager

Mineral Surveys Inc.,
Buffalo, New York,
Salt Lake City, Utah

— S. Parker Gay, Jr., M.Sc.,
General Manager

Seigel Asociados, S.A. de C.V.,
Mexico City, Mexico

— Patricio Arcos, Administrator

Seigel Associates (International)
Limited

— David B. Williams, B.Sc.,
General Manager

Seigel Associates (Jamaica)
Limited
Kingston, Jamaica

Seigel Associates Australasia
Pty. Ltd.
Boulder, Western Australia

— Anthony W. Howland-Rose, M.Sc.,
General Manager

CONTENTS

HIGHLIGHTS OF THE YEAR	2	BALANCE SHEET	8
PRESIDENT'S REPORT	3	INCOME AND RETAINED EARNINGS	10
GENERAL ACTIVITIES	4	SOURCE AND USE OF FUNDS	11
SCINTREX IS	7	AUDITORS' NOTES	12



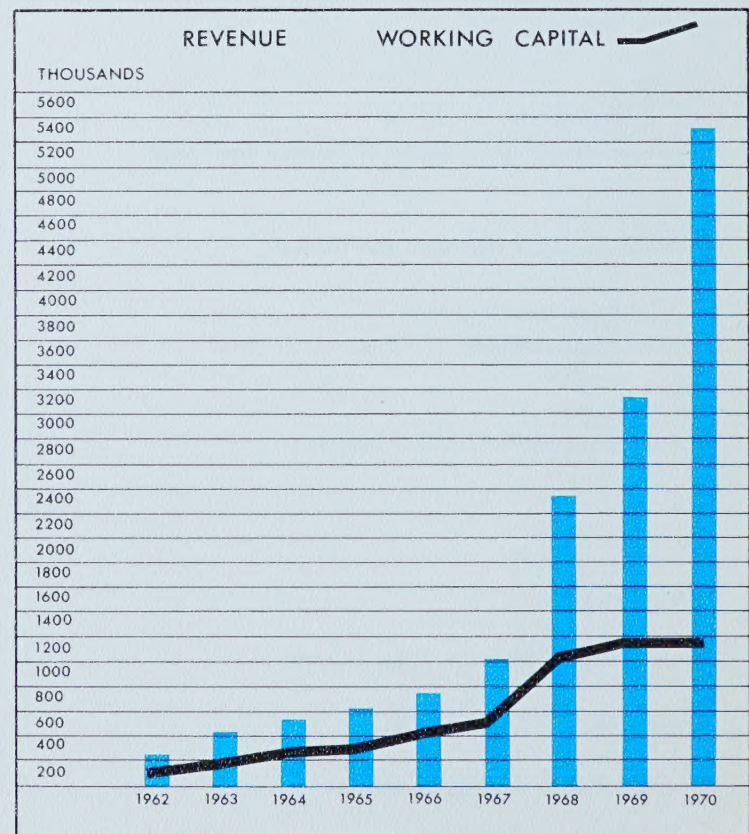
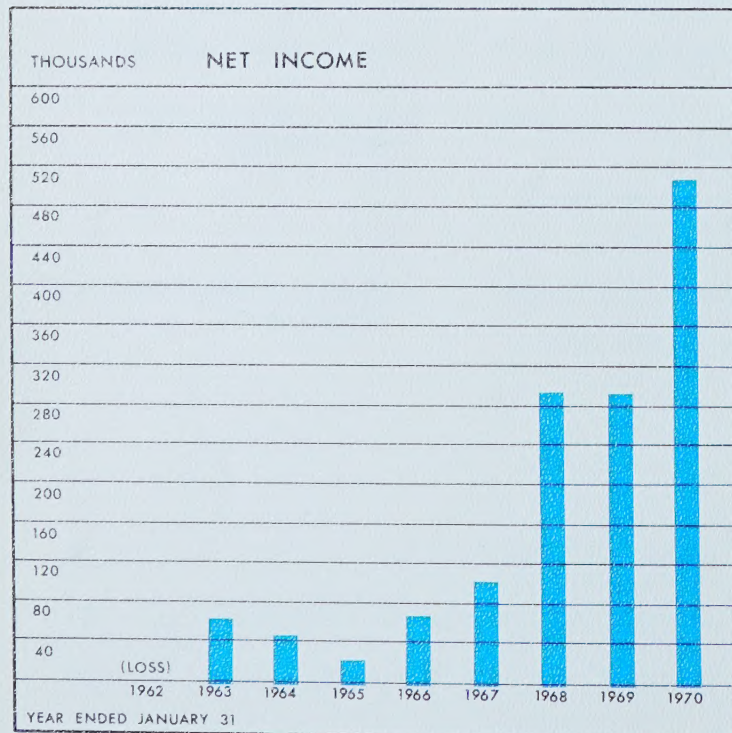
SCINTREX LIMITED

HIGHLIGHTS OF OPERATING RESULTS

Year Ended January 31

	1970	1969
Gross Revenue	\$5,318,228	\$3,152,720
Net Income Before Taxes	\$ 837,520	\$ 473,918
Net Income	\$ 511,927	\$ 292,858
Common Shares Outstanding	427,807	418,272
Earnings Per Common Share After Preference Dividends	\$1.16	66c.
Working Capital	\$1,172,367	\$1,171,629

NINE YEAR COMPARISON CHARTS



President's report

TO THE SHAREHOLDERS



A successful year of operations provides both a sense of achievement and a challenge for the future. The past fiscal year has truly been a remarkable one in most respects. The Company has taken advantage of its broadened technical, geographic, personnel and financial base to spring forward to greatly increased sales and profits.

Although it is Company policy not to show breakdowns of operations by divisions, it should be said that the service divisions have performed particularly well in Canada and Australia during this period. In Canada the bulk of the increase can be attributed to major airborne programs in Saskatchewan and Manitoba, stimulated by the Wollaston Lake uranium discovery of Gulf Minerals, in which Scintrex played a role. In Australia the Company's status has been enhanced by its contribution towards at least three mineral discoveries of potential economic importance, one of which is the Poseidon nickel discovery near Windarra, Western Australia.

OUR NEW HOMES

The parent Company is now settled into its new 28,700 square feet building in Concord, Ontario. This has provided much needed expansion space for all departments and will, it is hoped, materially improve the efficiency and working conditions of our employees.

As was previously indicated, Scintrex Inc. moved its operations into a new 8000 square feet plant in the Amherst Industrial Park (Buffalo) in March, 1969.

Seigel Associates Australasia Pty. Ltd. has purchased and extensively renovated a large residence in Boulder, Western Australia, so that it now has excellent facilities including office space, drafting, instrument repair and vehicle depot.

In Vancouver and Salt Lake City, the divisional office space has been doubled to provide facilities for the increased market requirements.

OUR CORPORATE PLANS

The only significant corporate move planned for the near future is the formation of a new public company in Australia, to be known as Scintrex Australia Limited. A letter of intent has been received from a prominent Australian merchant bank to underwrite approximately 25% of the shares of this new company for the sum of approximately \$A620,000 (\$750,000 Canadian). Seigel Associates Australasia Pty. Ltd. will become a wholly owned subsidiary of the new company, in which Scintrex Limited will retain a 75% interest.

The purpose of this step is to broaden the base of Scintrex's operations in Australia, provide working capital for a major expansion of its activities in Australia and neighbouring areas, and to allow both the Company's employees and the general Australian public to actively participate in the Company.

A number of potential corporate acquisitions in Canada and elsewhere have been investigated by the management of the Company during this year but as yet no definitive agreements have been reached. It might well be argued that a 69% increase in internally generated sales in one year is adequate for any organization without looking outside for growth by acquisition.

A LOOK AT THE STATEMENTS

Consolidated gross revenues for the year stand at \$5,318,228 an increase of 69% over those for the previous year. Net profits before taxes rose 77% but the taxes rose 107% from the previous year (to a 45% rate), leaving a net profit after tax and preferred dividends of \$492,277. This figure is equivalent to \$1.16 per outstanding common share, an increase of 59% over the net profit figure per share for the previous year of 73c. (restated to 66c. on a revised accounting basis).

Very significant is the fact that the working capital position of the Company has more than maintained its level at \$1,172,367, despite a net addition to fixed assets of \$1,209,129, including the full cost of the Concord, Ontario building. The net worth of your Company has now increased to \$2,819,080 or \$5.82 per common share from \$4.56 per common share.

Reflecting the management's conviction that research and development is vital to the well-being of the Company, the R & D expenditures have kept pace with the gross sales of the Company during this fiscal year, rising 72% to \$453,252, which is 8.5% of gross sales.

With the exception of the adjustment covered by Note 2, which affects only previous years' statements, no change in accounting practice has been made from last year.

AND NOW

The past year has been an extraordinary one for Scintrex wherein the usual 30% to 40% increase in sales has been augmented by a major participation in the sharp upsurge of activity in exploration in Canada and Australia. Some dark clouds, of governmental origin, have now formed in Canada. The White Paper on Taxation, which attacks the present tax incentives of the mineral industry, proposed restriction on foreign ownership of new Canadian uranium mines and provincial restrictions on the export of mineral concentrates are the chief elements darkening the scene. Precise formulation is still awaited of the federal and provincial rules which will govern the mining industry in Canada, but the resultant uncertainty has already caused a serious pause in the 1970 tempo of exploration in this country.

The forward surge of Scintrex Limited in its other geographic and technical areas of activity will at least compensate for the expected softening of Canadian service sales. It should be mentioned, however, that a smaller rate of overall growth is expected for the present year than was achieved in the past year. Major increases in sales of geophysical instrumentation are assured for this year from orders already on hand. New audio products, including wireless communication headsets and light-weight all-plastic headsets, already engineered and in production, are expected to give a sharp boost to audio sales. In brief, therefore, we have good reasons to expect continued progress in the current year despite a slowdown in one particular area.

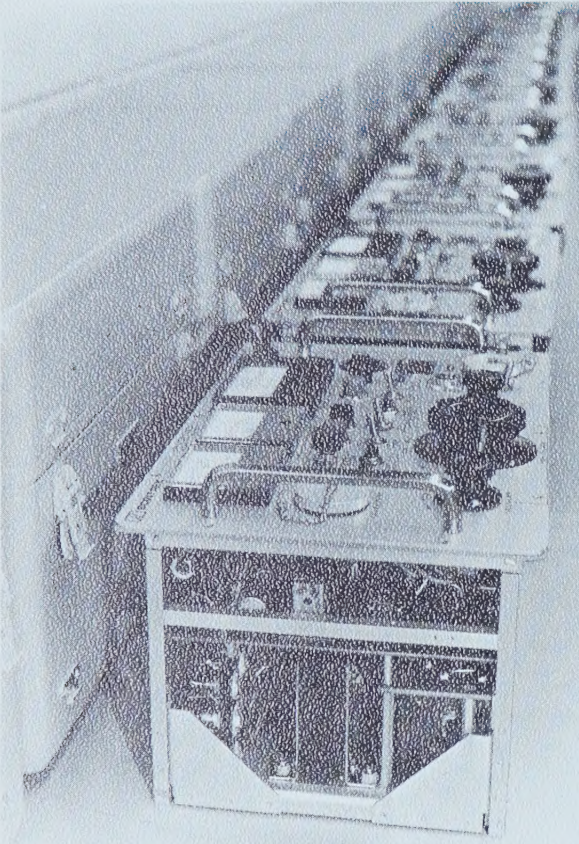
A special vote of thanks is due to all members of the Scintrex family of employees, be they in research, production, sales or services, in North America or Australia, for their sterling efforts, which have made the past year an outstanding one for the Company.

On behalf of the Board of Directors

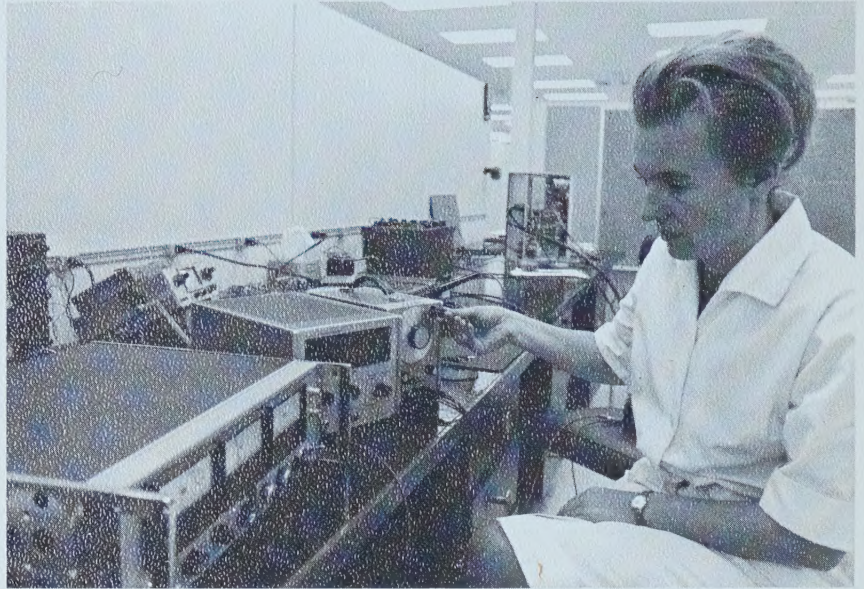
Harold O. Seigel, Ph.D., P.Eng.,
President.



SCINTREX LIMITED



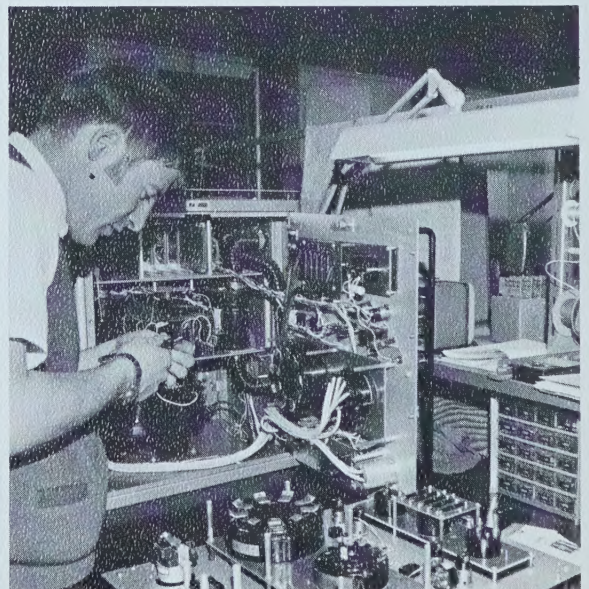
Induced Polarization Control Units ready for calibration.



Electromagnetic Research



Configuration and Documentation Section.



15kW Induced Polarization equipment in production.



The year behind us has been one of major changes and considerable enlargement of the Instrument Division. Construction of our new plant in Concord, Ontario was started in May, 1969 and in October the first departments began to move into their new quarters. The new building has 28,700 sq. ft., more than twice the floor space of our old plant. Much needed expansion room has been provided for all departments and several new sections have been added. Consistent with our policy of strong emphasis on product development, the size of our research facilities has been increased more than fourfold.

The reorganization of departments and the introduction of a production control system to administer and coordinate their functions has been completed and much improvement in load distribution and efficiency has resulted.

Notwithstanding the time and effort spent on moving and reorganizing, production has increased by about 20% over the previous year and a number of new designs were brought into regular production to augment our standard lines. The latter now provide the fullest selection obtainable anywhere of instrumentation for all mineral prospecting techniques, including gravimetric, magnetic, radiometric, geo-electric and electromagnetic methods.

In addition, considerable effort has gone into the production of non-standard, sophisticated instrumentation for our survey division, mainly for airborne applications. The range of audio products has been expanded and now includes wireless communication devices.

While the past year was characterized by expansion and reorganization, the most lasting result will be consolidation and the establishment of a sturdy platform for further growth. We are confident that the beneficial effects of restructuring will strongly and favourably affect our performance in the years ahead.

Robbert A. Bosschart, Ph.D., P.Eng.
Executive Vice-President.



The volume of our geophysical contracting operations during 1969 increased by 132% over 1968. In three short years we have risen to a position of leadership in airborne geophysical instrument design as well as service.

Of tremendous importance is the development of our new electromagnetic system named Turair, which provides a new depth dimension to exploration today. We can now penetrate to depths over 1000 feet beneath the ground's surface for certain types of base metal deposits, an increase of more than 100% over any other available system. We see tremendous application, therefore, for this system in much of the Western and Southwestern United States, Western Australia, tropical rainforest and all the other areas throughout the world where deep penetration is of prime importance.

In 1967, Seigel Associates crews and Scintrex equipment were used in the original airborne radioactive spectrometer survey which led up to the important Gulf Minerals discovery in the Wollaston Lake area of Saskatchewan.

Our Vancouver office activities increased during 1969 by 88%.

In the United States, Mineral Surveys, Inc. of Salt Lake City, managed to move into high gear. Scintrex Airborne Geophysics, Inc., Tulsa, Oklahoma, undertook airborne and magnetic surveys for the State of Missouri and the State of Virginia as well as for a number of mining and oil companies.

In Mexico, activity has increased over the relatively slow pace of recent years. Part of the upswing in this area is due to some of the successes we have had, such as assisting in the La Verde deposit discovery by the Patino Mining Corporation.

The Company's growth in Australia during 1969 was excellent and included geophysical work on the Poseidon discovery.

In addition to the operations in the above countries, contract geophysical surveys were carried out by subsidiaries of Scintrex Limited in Fiji, Guatemala, New Zealand and the Solomon Islands during the past fiscal year.

Roger H. Pemberton, M.Sc., P.Eng.
Vice-President, Operations.



As in previous years, most of our programs have been geared to the development of new or improved methods and instrumentation for our survey and manufacturing divisions. The importance we attached to this part of our activities may be judged from the unprecedented expansion of our department which now occupies an area of 8000 square feet in our new building. Simultaneously, our staff of engineers and technologists has been considerably increased and this has enabled us to establish separate sections for different programs, headed by experts in their particular fields.

Research expenditures rose to 172% of last year's amount and the already high ratio of R & D expenses versus sales, which was 8.4% in 1968-9 increased to 8.5% of total sales.

Particularly active have been the magnetic and electromagnetic sections, where the emphasis has been on the development of airborne systems. Two new airborne magnetometer designs are nearing completion, and an improved version of the "Turair" system has been developed which has a lower noise level. During the past year this system has proved itself as a unique tool for deep exploration by locating sulphide deposits under more than 500 feet of cover. Further improvements were made to our Turam system, one of our ground EM systems, to which a very low frequency (75 Hz) version was added.

Other completed projects include two different resistivity measuring systems and a highly accurate Emanometer for uranium exploration.

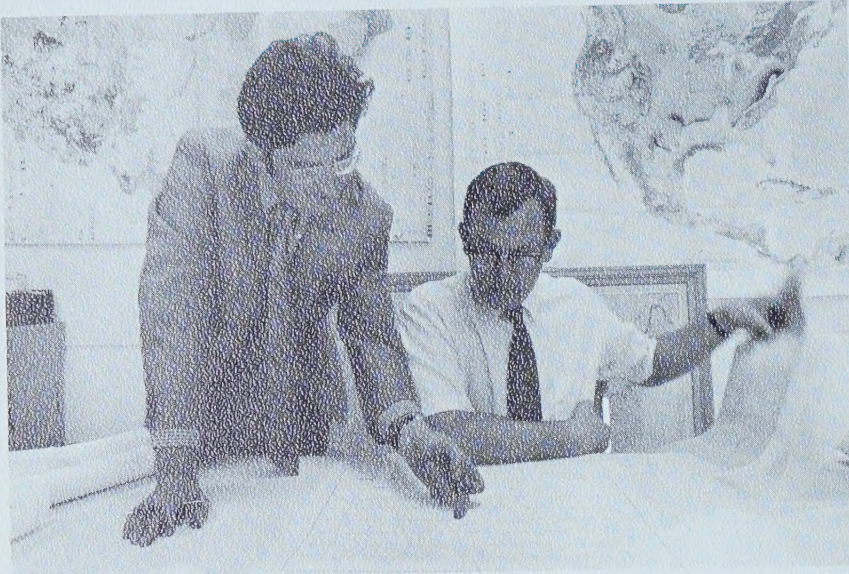
In the audio field a new, light weight headphone has been developed and engineered for production. The first of a new family of wireless, hands-free communication headsets has now been fully developed, while a number of additional devices of this type are in an advanced stage of design and testing.

The development work now in progress involves a wide field of exploration technology. It will assure our Company's leading position in geophysical and audio communication instrumentation for the future.

Valentine Burda, M.Sc.
Chief Engineer.



SCINTREX LIMITED



Seigel Associates Division — Operations.



Coils, the trademark of electromagnetic prospecting.



Mechanical Department — milling machine with three-dimensional tracer.



Sales Department

SCINTREX IS

Scintrex manufactures geophysical instruments and provides geophysical contracting and consulting services for the mineral exploration industry. Its equipment is used world-wide and its subsidiary companies provide contracting services in every potential mining area.

Sensing the trend developing in recent years toward a more intensive application of multi-system airborne surveying and the investigation of larger regions, Scintrex has been in the forefront of the development of advanced, light-weight electronic systems for magnetic, radiometric and electromagnetic measurements, which can be installed and dismantled easily in helicopters or fixed-wing aircraft. This type of installation has, moreover, rendered it economically attractive to investigate relatively small mining prospects from the air, rather than systematically survey such areas on the ground.

A steadily increasing demand for rugged, light-weight, easy to use ground instrumentation has resulted from the growing general acceptance of geophysical methods as mineral prospecting tools. As well, more and more mineral exploration companies are forming and equipping their own geophysical departments.

To meet this demand and maintain its reputation for innovation and quality in this field, Scintrex sustains an intensive research effort to constantly keep the development of new instrumentation in step with the latest advances in electronics, and applies the highest manufacturing and quality control standards.

A remarkable development of the sixties has been the world-wide acceptance of Canadian exploration technology. Scintrex's international subsidiary companies have made a material contribution towards this recognition. In such widely scattered parts of the world as Ireland, Australia, the Middle East, South America and Europe, Canadian companies have sparked mineral exploration campaigns leading to the discovery of new mines. In many of these discoveries, Scintrex equipment, services and know-how have played an integral part.

As a completely unrelated activity Scintrex manufactures a range of audio products, including headphones, microphones, hands-free communication devices and related amplifiers, etc. These products are produced in its Buffalo and Concord plants and are in use for audiophile, educational, industrial and general communication purposes.



**CONSOLIDATED BALANCE SHEET****ASSETS**

	January 31	
	1970	1969
		(Note 2)
CURRENT		
Cash and short-term deposits	\$ —	\$ 331,558
Receivables	1,380,174	752,450
Marketable securities	—	54,764
Inventories, at the lower of cost and net realizable value	835,524	527,511
Prepaid expenses and sundry assets	40,151	24,802
	<u>2,255,849</u>	<u>1,691,085</u>
 INVESTMENT IN AND ADVANCES TO ASSOCIATED COMPANY,		
(50% owned), at cost	<u>33,755</u>	<u>5,346</u>
 PROPERTIES AND EQUIPMENT, at cost	2,282,817	1,089,033
Less accumulated depreciation	<u>551,325</u>	<u>383,966</u>
	<u>1,731,492</u>	<u>705,067</u>
 OTHER		
Patents and processes, at cost less amortization	115,810	110,923
Excess of cost of subsidiaries over book value on acquisition	<u>337,201</u>	<u>337,201</u>
	<u>453,011</u>	<u>448,124</u>
	 <u><u>\$4,474,107</u></u>	 <u><u>\$2,849,622</u></u>

Approved on behalf of the Board
Dr. Harold O. Seigel, Director
Alfred J. Shaul, Director

See accompanying notes.

LIABILITIES

	January 31	
	1970	1969 (Note 2)
CURRENT		
Bank indebtedness (secured)	\$ 192,852	\$ —
Accounts payable and accrued liabilities	830,586	394,376
Income taxes payable	60,044	125,080
	<u>1,083,482</u>	<u>519,456</u>
LONG-TERM DEBT (Note 3)	<u>198,161</u>	<u>—</u>
DEFERRED INCOME TAXES	<u>366,285</u>	<u>91,065</u>
MINORITY INTEREST	<u>7,099</u>	<u>5,103</u>

SHAREHOLDERS' EQUITY

CAPITAL (Note 4)		
Authorized		
350,000 Preference shares, \$1 par value, 6% cumulative, non-voting, convertible		
1,500,000 Common shares, no par value		
Issued		
327,500 Preference shares	327,500	327,500
427,807 Common shares (1969 - 418,272 shares)	1,322,888	1,267,083
	<u>1,650,388</u>	<u>1,594,583</u>
CONTRIBUTED SURPLUS (Note 5)	<u>37,000</u>	<u>—</u>
RETAINED EARNINGS	<u>1,131,692</u>	<u>639,415</u>
	<u>2,819,080</u>	<u>2,233,998</u>
	<u>\$4,474,107</u>	<u>\$2,849,622</u>

AUDITORS' REPORT

To The Shareholders

We have examined the consolidated balance sheet of Scintrex Limited and its subsidiaries as at January 31, 1970 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at January, 31, 1970 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving effect to the change explained in Note 2.

Toronto, Canada
April 30, 1970.

LAVENTHOL KREKSTEIN HORWATH & HORWATH,
Chartered Accountants.



SCINTREX LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended January 31,

	1970	1969 (Note 2)
SALES	\$5,318,228	\$3,152,720
Cost of sales, including selling and administrative expenses	3,865,938	2,311,020
Depreciation and amortization ...	205,547	154,918
Research and development expenses	453,252	263,721
Minority interest	<u>1,996</u>	<u>167</u>
	4,526,733	2,729,826
Less research and development grants from the Government of Canada	<u>46,025</u>	<u>51,024</u>
	4,480,708	2,678,802
INCOME BEFORE INCOME TAXES	837,520	473,918
INCOME TAXES (Note 6)	<u>375,660</u>	<u>181,060</u>
INCOME BEFORE EXTRAORDINARY ITEM	461,860	292,858
Extraordinary item - gain on disposal of land	<u>50,067</u>	<u>—</u>
NET INCOME ..	511,927	292,858
Retained earnings at beginning of year	639,415	366,207
	1,151,342	659,065
Less dividends on preference shares	<u>19,650</u>	<u>19,650</u>
RETAINED EARNINGS AT END OF YEAR	\$1,131,692	\$ 639,415
EARNINGS PER SHARE (Note 9)		
Income before extraordinary item	<u>\$1.05</u>	<u>\$.66</u>
Net income ..	<u>\$1.16</u>	<u>\$.66</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the Year Ended January 31,

	1970	1969 (Note 2)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>\$1,171,629</u>	<u>\$1,049,882</u>
SOURCE OF FUNDS		
Addition to working capital from operations	964,964	464,189
Government of Canada grant re properties and equipment	37,000	—
Mortgages and notes payable	198,161	—
Repayments of advance by associated company	--	9,699
Proceeds from issue of common shares	<u>55,805</u>	<u>18,699</u>
	1,255,930	<u>492,587</u>
	2,427,559	<u>1,542,469</u>
USE OF FUNDS		
Net additions to properties and equipment	1,209,129	345,818
Advances to associated company	28,409	—
Miscellaneous adjustments	(1,996)	5,372
Dividends on preference shares	<u>19,650</u>	<u>19,650</u>
	1,255,192	<u>370,840</u>
WORKING CAPITAL AT END OF YEAR	<u>\$1,172,367</u>	<u>\$1,171,629</u>
INCREASE IN WORKING CAPITAL	<u>\$ 738</u>	<u>\$ 121,747</u>

See accompanying notes.



SCINTREX LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended January 31, 1970

1. Principles of consolidation:

The consolidated financial statements for the year include the accounts of all subsidiaries in which the Company owns more than 50% of the voting share capital.

The accounts of the foreign subsidiaries are converted into Canadian dollars at rates of exchange current at January 31, 1970. Properties and equipment are at rates prevailing on dates of acquisition.

2. 1969 Comparative figures:

For purposes of comparability and in accordance with current accounting practice, the 1969 figures have been restated to give effect to charges against income of certain items (amortization of patents and processes and prior year's adjustments) previously reflected in retained earnings. The effect, after taxes, is a reduction in income of \$28,662 from that reported in 1969.

3. Long-term debt:

Long-term debt consists of:

Scintrex Inc.	
7¾% mortgage payable, due March 31, 1984	\$119,877
9½% note payable, due December 31, 1971	53,625
Seigel Associates Australasia Pty. Ltd.	
7¾% mortgage due March 10, 1973	84,000
	257,502
Less amount due within one year (included in accounts payable and accrued liabilities)	59,341
	<u>\$198,161</u>

4. Capital:

Preference shares:

The preference shares may be converted at any time by the holder or holders thereof into fully-paid common shares of the Company on the basis of one common for four preference shares. Dividends on these 6% cumulative preference shares are payable semi-annually on the last days of July and January of each year. These shares are non-voting unless the Company has failed to pay dividends for a period of two years.

Common shares:

	Number of Shares Outstanding	Consideration Received
Balance outstanding at beginning of year	418,272	\$1,267,083
Issuance of shares to officers and employees per stock option plan at prices of \$2.00, \$3.00 and \$11.70 per share	9,535	55,805
Balance outstanding at end of year	<u>427,807</u>	<u>\$1,322,888</u>

Employee stock options:

As at January 31, 1970 options on 15,255 shares were outstanding, exercisable in June, 1970, at prices ranging from \$2.00 to \$13.95 per share.

5. Contributed surplus:

Arising from a claim for a grant under the Industrial Research and Development Incentives Act, for capital expenditures incurred for the acquisition of property. The Act provides for recovery of all or part of the grant where the property acquired has been sold, destroyed or ceases to be used for scientific research and development.

6. Income taxes:

Current payable	\$100,440
Deferred	275,220
	<u>\$375,660</u>

Income taxes payable in respect of the current year have been reduced as depreciation for taxable purposes is in excess of that charged in the accounts. In addition, one of the subsidiaries reports income for taxable purposes on a cash received basis. This reduction is applicable to future years and accordingly is included in "Deferred Income Taxes" on the balance sheet.

7. Lease commitments:

As at January 31, 1970, total rental commitments amounted to \$241,500 in respect of leased premises.

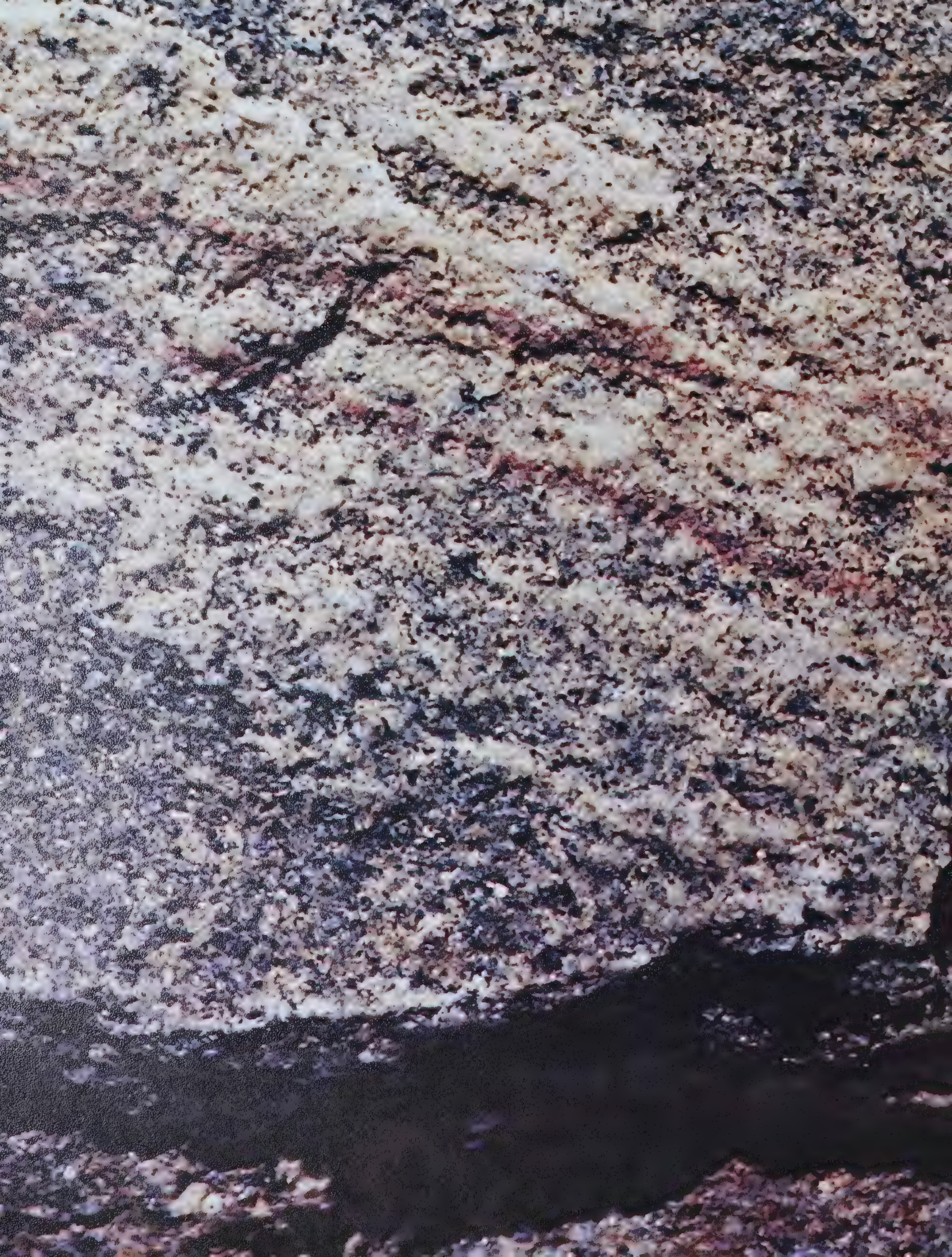
8. Remuneration to directors and senior officers:

Total remuneration paid to the directors and senior officers amounted to \$143,800 for the year.

9. Fully diluted earnings per share:

If it were assumed that all of the 6% convertible preference shares outstanding as at January 31, 1970 (327,500 shares) had been converted into common shares (81,875 shares) as at February 1, 1969, the earnings per share for 1970 would have been:

Income before extraordinary item	\$.91
Net income for the year	<u>\$1.01</u>



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SCINTREX LIMITED



INTERIM REPORT
SIX MONTHS
ENDED
JULY 31, 1970



SCINTREX LIMITED





TO THE SHAREHOLDERS:

Enclosed herewith are Statements of Consolidated Earnings and Source and Use of Funds for the six months ended July 31, 1970. Despite the fact that there has been a substantial softening of exploration activity in Canada and to a lesser extent in the U.S.A. during the current year, the Company has achieved a 24% increase in sales from those of the previous year. There has, however, been a shrinkage in profit margins and an increase in research and development expenditures. The net income after taxes and before extraordinary items remains at about the same figure as for the previous year, namely, 25.7¢.

A careful investigation is currently under way within our organization with the objective of increasing operational efficiency and reducing costs. A number of substantial improvements have already been made and more are contemplated, to be effected as soon as feasible.

New geophysical instrumentation and services are being put into operation and their effects will be felt in the remaining half of this year. For example, three Turair units are now operative, one in Canada, one in the U.S.A. and one in Australia and the future for this type of service appears to be bright. In addition, at the present time, two fixed-wing aircraft and two helicopters are in operation on air-borne survey on behalf of your Company in North America. There is a good backlog of orders on hand for geophysical instrumentation and services, so that the prospects for the remainder of the current fiscal year are quite favourable.

Harold O. Seigel, Ph.D., P.Eng.,
President.

Toronto, Ontario
September 30, 1970

**CONSOLIDATED STATEMENT
OF OPERATIONS
FOR THE SIX MONTHS ENDED JULY 31**

	1970	1969
SALES	<u>\$3,063,638</u>	<u>\$2,460,644</u>
COST OF SALES INCLUDING SELLING, GENERAL & ADMINISTRATIVE EXPENSES	2,511,426	1,869,443
RESEARCH & DEVELOPMENT EXPENSES	213,750	147,598
MINORITY INTEREST	<u>1,185</u>	<u>2,874</u>
	<u>2,726,361</u>	<u>2,019,915</u>
OPERATING INCOME BEFORE INCOME TAXES	337,277	440,729
INCOME TAXES	<u>107,270</u>	<u>209,057</u>
NET INCOME FROM OPERATIONS	230,007	231,672
EXTRAORDINARY PROFIT FROM SALE OF LAND	<u>—</u>	<u>50,000</u>
NET INCOME BEFORE DIVIDEND ON PREFERENCE SHARES	230,007	281,672
DIVIDEND ON PREFERENCE SHARES	<u>9,825</u>	<u>9,825</u>
NET INCOME APPLICABLE TO COMMON SHAREHOLDERS	<u>\$ 220,182</u>	<u>\$ 271,847</u>
NET INCOME BEFORE EXTRAORDINARY ITEM*	25.7¢	25.9¢
NET INCOME*	25.7¢	31.8¢

*EARNINGS PER COMMON SHARE (BASED ON NUMBER OF
SHARES OUTSTANDING AFTER 2 FOR 1 STOCK SPLIT)

THE ABOVE STATEMENT IS UNAUDITED

**CONSOLIDATED STATEMENT
OF SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED JULY 31**

	1970	1969
WORKING CAPITAL AT BEGINNING OF PERIOD	<u>\$1,172,367</u>	<u>\$1,171,629</u>
SOURCE OF FUNDS		
ADDITION TO WORKING CAPITAL FROM OPERATIONS	374,707	368,435
REPAYMENT OF ADVANCE FROM ASSOCIATED COMPANY	25,400	—
PROCEEDS OF MORTGAGE ON NEW PLANT	—	117,433
PROCEEDS FROM ISSUE OF COMMON SHARES	10,730	55,805
MISCELLANEOUS	1,807	—
	<u>412,644</u>	<u>541,673</u>
	<u>1,585,011</u>	<u>1,713,302</u>
USE OF FUNDS		
NET ADDITIONS TO PROPERTY AND EQUIPMENT	366,318	559,885
INSTALMENTS ON LONG-TERM DEBT	18,853	—
DIVIDENDS ON PREFERENCE SHARES	9,825	9,825
	<u>394,996</u>	<u>569,710</u>
WORKING CAPITAL AT END OF PERIOD	<u>\$1,190,015</u>	<u>\$1,143,592</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 17,648</u>	<u>(\$ 28,037)</u>

THE ABOVE STATEMENT IS UNAUDITED



AR49

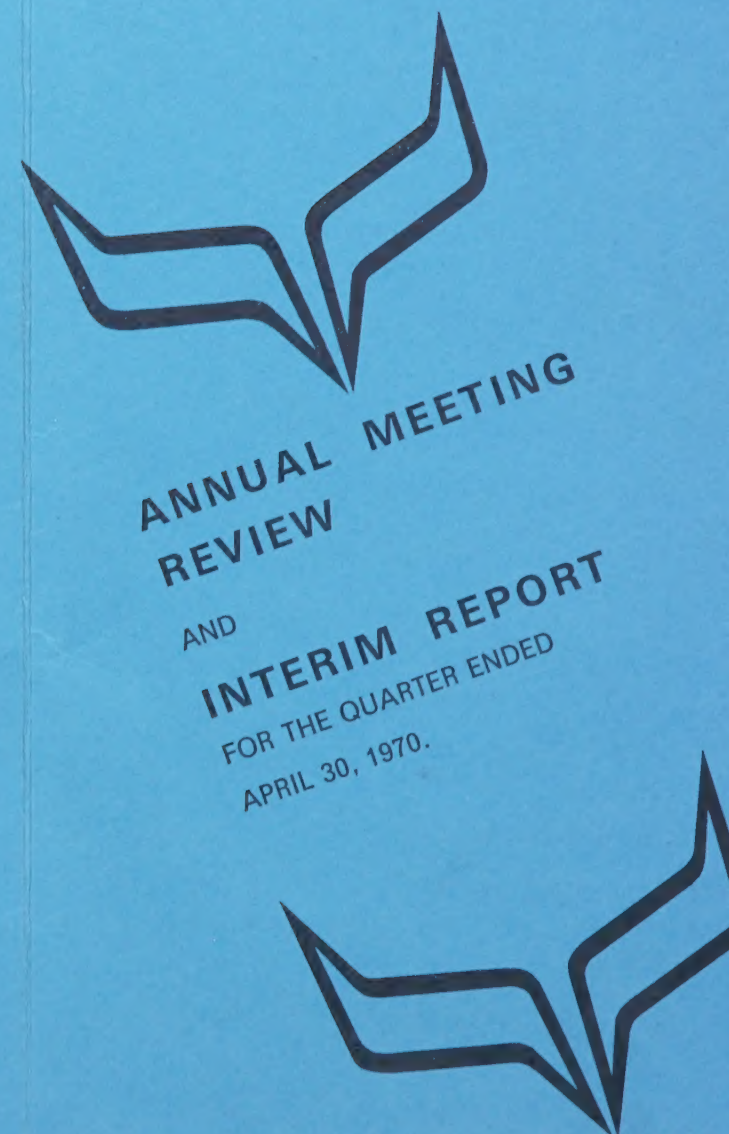


SCINTREX LIMITED

**CONSOLIDATED STATEMENT
OF OPERATIONS
FOR THE THREE MONTHS ENDED APRIL 30**

	1970	1969
SALES	<u>\$1,338,625</u>	<u>\$899,500</u>
COST OF SALES INCLUDING SELLING, GENERAL & ADMINISTRATIVE EXPENSES	<u>\$1,131,178</u>	<u>\$712,887</u>
RESEARCH & DEVELOPMENT EXPENSES	79,882	67,890
MINORITY INTEREST	<u>(1,737)</u>	<u>799</u>
	<u>\$1,209,323</u>	<u>\$781,576</u>
OPERATING INCOME BEFORE INCOME TAXES	\$ 129,302	\$117,924
INCOME TAXES	<u>59,339</u>	<u>48,098</u>
NET INCOME BEFORE DIVIDEND ON PREFERENCE SHARES	\$ 69,963	\$ 69,826
DIVIDEND ON PREFERENCE SHARES	<u>4,912</u>	<u>4,912</u>
NET INCOME APPLICABLE TO COMMON SHAREHOLDERS	<u>\$ 65,051</u>	<u>\$ 64,914</u>
EARNINGS PER COMMON SHARE	15.2¢	15.3¢

The above statement is unaudited.



**ANNUAL MEETING
REVIEW**

AND
INTERIM REPORT
FOR THE QUARTER ENDED
APRIL 30, 1970.



TO THE SHAREHOLDERS:

For the benefit of those who were unable to attend the company's recent general and annual meeting of shareholders, I have taken this opportunity to report on the results of that meeting. Also included is the consolidated statement of operations for the three months ended April 30, 1970.

At the meeting shareholders approved a special resolution authorizing the company to initiate formal procedures to effect a 2-for-1 split in its common shares. This measure was recommended by the board of directors in order to increase the supply of stock for normal market trading and to promote a wider distribution of the company's shares.

The company's fiscal year which ended on January 31, 1970 is now a matter of history. Its record is documented in our annual report, a copy of which has been sent to you. While this report makes pleasant reading, I will not subject you to a repetition of its details. It is enough to say that we are gratified with the increase in sales of 69% and in net profit per share of 59% over the figures for the previous year. We have also succeeded in maintaining the level of working capital at over \$1,172,000, despite very heavy capital expenditures of more than \$1,200,000 for plant and equipment additions, all financed from internal sources.

We are now five months into our current fiscal year. As indicated in my statement

in the annual report, we expect to have another good year but with a somewhat different proportion of sales in our various technical and geographic areas of activity. Unaudited consolidated figures for the first three months of this fiscal year are now available and I am pleased to present them at this time.

Consolidated sales for this period increased by 49% to \$1,338,625. Operating income before tax increased by 10% to \$129,302, a level of gain affected by a variety of sources of increased cost — some of them non-recurring. Income taxes increased by 23% because of the generation of these profits in areas of high taxation, leaving earnings per common share at 15.2¢ after taxes and payment of dividends on the preferred shares.

Looking ahead, for the full year, we foresee an overall increase of 10% to 20% over last year in sales and earnings. We believe this can be accomplished despite the fact of last year's extraordinarily high level of performance and that some softening of exploration activity has occurred in Canada because of governmental restrictions, either imposed or proposed.

In summary, we may regard the current fiscal year as primarily a period of consolidation of the major expansion of the past year, with a moderate improvement in sales and profitability.

I would like to remark at this point that research and development programs tend to bear fruit as do young apple trees. For some years there is little to show, but with patience and careful cultivation, the tree starts to mature and soon there are

apples popping out all over. Similarly, we believe we have now entered into our productive stage. Significant new products are being generated in increasing numbers from our research and development efforts and are moving onto our production lines, in the audio as well as the geophysical fields. It is anticipated that these products will have a beneficial effect on sales for the second half of this year and even more so in the following years.

Without going into great detail on these products we may single out the following:

In the realm of geophysical instruments and services we have the Turair deep-penetration reconnaissance electromagnetic system, developed last year, with which we are now starting our first surveys in the U.S.A. and Australia, two new airborne magnetometers and several new ground resistivity and radiometric units. In the audio products field, we have put our new "Hands-off" communication headsets into production and look for great things from them. We are also enthusiastic for our new HA-7 all plastic general purpose headset. This is light in weight and price but high in performance and puts us into a wholly new and broader portion of the high-fidelity, educational and general communications market.

All in all, we look forward with confidence to major growth for Scintrex in the 70's.

July 13, 1970

Harold O. Seigel, Ph.D., P.Eng.
President

SCINTREX LTD 1ST HALF NET

260 A SHR VS 320

Can. corp report

JULY 31 SIX MOS NET 230 007 DLS VS 281 672
DLS - SHARE EARNINGS REFLECT A 2-FOR-1 STOCK
SPLIT IN JUNE THIS YEAR - SALES 3 063 638 DLS
VS 2 460 644 DLS

gr. H O SIEGEL PRESIDENT OF SCIN-
TREX SAID NEW GEOPHYSICAL INSTRUMENTS AND
SERVICES WOULD CONTRIBUTE TO THE SECOND HALF -
A GOOD BACKLOG MADE PR

SCINTREX -2-

TORONTO -DJ- H O SIEGEL PRESIDENT OF SCIN-
TREX SAID NEW GEOPHYSICAL INSTRUMENTS AND
SERVICES WOULD CONTRIBUTE TO THE SECOND HALF -
A GOOD BACKLOG MAKES PROSPECTS FOR THE
REMAINDER OF THE CURRENT FISCAL YEAR -QUITE
FAVORABLE-

-0-

JULY 31 SIX MONTHS 200 000 DLS VS 201 475

0.2 - SHARE EARNINGS REFLECT A 2-FOLD INCREASE

SPLIT IN JUNE THIS YEAR - SALES 3 000 000 DLS

VS 2 400 000 DLS

H. O. STEIGER - PRESIDENT OF STIM-

TEX - SAID NEW GEOPHYSICAL INSTRUMENTS AND

SERVICES WOULD CONTRIBUTE TO THE SECOND HALF

A GOOD YEAR BE MADE FOR

STIMTEX - 201

TORONTO AND H. O. STEIGER - PRESIDENT OF STIM-

TEX - SAID NEW GEOPHYSICAL INSTRUMENTS AND

SERVICES WOULD CONTRIBUTE TO THE SECOND HALF

A GOOD YEAR BE MADE FOR THE

REMAINDER OF THE CURRENT FISCAL YEAR - 201

FAVORABLE